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United States  
Department of  
Agriculture

MAY 5 1997

Food and  
Consumer  
Service

Reply to  
Attn. of: SP 97-18

Mountain Plains  
Region

1244 Speer Blvd.  
Denver, CO  
80204-3581

Subject: Implementation of Rounded-Down Reimbursement Rates for  
"Paid" Meals in the National School Lunch Program  
(NSLP) and School Breakfast Program (SBP)

To: STATE AGENCY DIRECTORS - Colorado ED, Iowa, Kansas,  
(Child Nutrition Programs) Missouri ED, Montana OPI,  
Nebraska ED, North Dakota,  
South Dakota, Utah and  
Wyoming ED

This memorandum is a reminder that the reimbursement rates for "Paid"-category Program lunches, breakfasts, and supplements served and claimed after July 1, 1997, will be rounded-down "whole-cent" rates. This change could have an effect on how your State agency's (SAs) payment system operates to pay reimbursement claims.

As you are aware, each year by law our Agency adjusts the "Free", "Reduced Price", and "Paid" reimbursement rates to be paid to schools and institutions for serving NSLP lunches, SBP breakfasts, and supplements served under NSLP Regulations. These rate adjustments are to be computed to the nearest one quarter cent in the calculations that determine these rates.

However, as required under Public Law 104-193, amending Section 11 (a)(3)(B) of the National School Lunch Act, and effective July 1, 1997, adjustments to the reimbursement rates for meals served to individuals not determined to be eligible for free or reduced price meals and supplements (i.e., "Paid" children) "shall be computed to the nearest lower cent increment". As an example, if this rounding requirement were in effect in the 1996-1997 school year, the regular "Paid" lunch reimbursement would have been \$.17, rather than \$.1775, and "Paid" breakfast reimbursement would have been \$.19, rather than \$.1975.

We are aware that most, if not all, of the SA automated payment systems calculate "Section 4" reimbursement for all lunches claimed, and then calculate "Section 11" "Free" and "Reduced Price" reimbursement for those specific types of lunches respectively. Such systems will require some modification in

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order to pay the rounded-down "Paid" rate for the "Paid" lunches and the full, unrounded rate for "Section 4" for those lunches in the "Free" and in the "Reduced Price" categories.

Please contact us if you have any questions..

*Ann C. De Groat*

ANN C. DEGROAT  
Regional Director  
Child Nutrition Programs